

SUBCOMMITTEE NO. 2

Agenda

Sheila Kuehl, Chair
Bob Dutton
Alan Lowenthal



Wednesday, May 18, 2005
9:00 a.m.
Room 2040

Agenda (Part 2 of 2)

<u>Item</u>	<u>Department</u>	<u>Page</u>
CALFED Program		2
Funding Summary		3
0540	Secretary for Resources	4
3480	Department of Conservation	5
3540	Department of Forestry and Fire Protection	5
3600	Department of Fish and Game	6
3820	San Francisco Bay Conservation and Development Commission	9
3860	Department of Water Resources	10
3870	California Bay-Delta Authority	19
3940	State Water Resources Control Board	22

Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

CALFED Program

Previous Subcommittee Action. At the May 9 hearing of the Subcommittee, action was taken to approve a revised budget for the CALFED program. Some items were left open pending additional information from the administration.

In addition to adopting a revised funding plan, the Subcommittee took the following actions:

- Adopted supplemental report language to require that the administration submit a zero-based budget for the CALFED program for the 2006-07 budget year.
- Trailer bill language to require the administration to provide additional information on the state operations bond funds included in the base budget and budget change proposals for all local assistance and capital outlay expenditures supported by bond funds.

May Revision. The May Revision proposal does not include new water user fees or other mechanisms to implement the beneficiary-pays principle for the CALFED program. The Governor's proposal includes a three-point plan to address the CALFED program in the future.

- **Independent Review.** The plan includes providing \$300,000 to the Resources Agency to manage a contract to support an independent program and fiscal review of the CALFED program.
- **Program Priorities.** The plan includes re-focusing the CALFED program to solve conflicts with Delta water supply, water quality, levee stability and the environment.
- **Financing.** The plan includes the development of a new ten-year action plan, to be developed in coordination with stakeholders and federal partners. The new action plan will focus on solving the highest priority Delta issues and include funding from the state, federal and local levels consistent with the beneficiary-pays principle. For the budget year, the May Revision proposes to increase reimbursement authority for the Department of Fish and Game by \$30 million to accommodate user contributions which may be necessary. The administration also pledges to request an additional \$40 million in federal funds from the 2006 federal budget for the CALFED program.

Funding Summary

Senate CALFED Budget Summary. The following chart summarizes the staff recommendations for the Senate's alternative CALFED budget for 2005-06. The budget was constructed using the following general principles, consistent with the May 9 action of the Subcommittee:

- Expenditures of local assistance and grant funds are generally proposed to be delayed.
- Activities and projects that have not been started, to date, are proposed to be delayed.
- Activities that existed prior to the existence of the CALFED program are proposed to be retained.

Department (\$ in thousands)	Governor's Budget*	Senate's Budget - May 9 Version**	Senate's Budget - May 17 Version	May 17 Version less Governor's Budget
Conservation	\$3,330	\$330	\$3,330	\$0
Forestry and Fire Protection	154	154	154	0
Fish and Game	3,610	3,209	3,610	0
Bay Conservation & Development Commission	88	0	88	0
Water Resources	206,295	72,692	130,573	-75,722
Bay-Delta Authority	19,673	33,839	19,673	0
Water Resources Control Board	8,459	1,902	1,902	-6,557
Total	\$241,609	\$112,126	\$159,330	-\$82,279

* The Governor's budget totals have been revised since the May 9 hearing based on updated information from the administration.

** The May 9 version of the Senate's budget contains errors that have been revised in the May 17 version. The May 17 version also includes amendments to the May 9 action. Those changes are denoted by "Y" throughout the agenda.

0540 Secretary for Resources

May Revision. The May Revision includes an increase of \$300,000 in one-time funding from Proposition 50 bond funds for an independent programmatic and fiscal review of the CALFED program to ensure accountability, highlight accomplishments, determine program status, and provide guidance to the Program. This contract would be managed by the Resources Secretary.

Staff Comments. Staff finds that a review of the CALFED program would be a meaningful exercise and is consistent with the action taken by the Subcommittee on May 9 to request that the administration submit a zero-base budget for the 2006-07 budget. Staff is concerned about the timing of this contract if the information from this review is to be incorporated into the 2006-07 budget.

Staff Recommendation. Staff recommends that the Subcommittee adopt the May Revision proposal to provide \$300,000 for a review of the CALFED program.

3480 Department of Conservation

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for DOC. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$96	Soil Conservation Fund	1.0	X
Watershed Program				
- Watershed Coordinator Grants	3,000	Prop 50	0.0	Y
- Watershed Program Technical Staff Support	234	Prop 50	2.0	X
Total Governor's Budget	\$3,330		3.0	
Total Senate Budget	\$3,330		3.0	

3540 Department of Forestry and Fire Protection

Staff Recommendation. No recommended changes to the Subcommittee's May 9 action.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Watershed Program				
- Watershed Program Technical Information Support: Watershed Assessment Manual and Fire and Resource Assessment Program Watershed Resources	\$154	Prop 50	0.0	X
Total Governor's Budget	\$154		0.0	
Total Senate Budget	\$154		0.0	

3600 Department of Fish and Game

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for DFG. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Staff recommends that the Subcommittee reject the May Revision proposal to increase reimbursements by \$30 million for water user contributions in the budget year until the administration can provide further information on what the reimbursements would be used to fund in the budget year, including the consequences of not contributing this funding in the budget year.

Furthermore, staff recommends that the Subcommittee adopt trailer bill language that requires DFG to focus the ecosystem restoration program on restoration of native delta fisheries and anadromous fisheries. Specifically, the department should redirect funding from projects that primarily benefit terrestrials to focus more resources on native delta fisheries and anadromous fisheries.

Activity	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$166	General Fund	2.0	X
Ecosystem Restoration Program				
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$4,350	Prop 50	23.0	Y
- Supports regional plan development, field studies, review of permits and environmental documentation, restoration projects.	\$628	General Fund	5.5	Y
Conveyance Program				
- Supports studies to define fish movement in the delta, assist in the development of technologies in water transfer and fish screening, examine sources of predation.	\$84	General Fund	1.0	Y
Science Program				
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$300	Prop 50	5.0	Y
- Endangered Species Act compliance for the Interagency Ecological Program and the analysis and dissemination of other scientific data.	\$228	Striped Bass Stamp	1.0	Y
APRIL FINANCE LETTER				
Ecosystem Restoration Program				
- Technical correction to eliminate one-time funding inadvertently left in the Governor's proposed budget.	-\$2,146	Prop 50	0.0	X

Activity	Amount	Fund Source	Positions	Approve
Science Program				
- Technical correction to eliminate (\$235,000) one-time funding inadvertently left in the Governor's proposed budget. (This item was already reflected in the budget crosscut so to avoid double counting is not being deducted.)		Prop 50	0.0	X
MAY REVISION				
Ecosystem Restoration Program				
- Contributions to ecosystem restoration projects from water users.	\$30,000	Reimburse-ments	0.0	
Total Governor's Budget	\$33,610		37.5	
Total Senate Budget	\$3,610		37.5	

3820 San Francisco Bay Conservation and Development Commission

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for BCDC. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination	\$88	General Fund	1.0	Y
Total Governor's Budget	\$88		1.0	
Total Senate Budget	\$88		1.0	

3860 Department of Water Resources

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for DWR. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”.

Staff recommends that the Subcommittee approve budget bill language that requires an agreement that will engage local parties in the development of the Los Vaqueros surface storage project.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination				
- Supports review of CALFED-related encroachment permit applications submitted to the Reclamation Board.	\$263	General Fund	2.0	X
Ecosystem Restoration Program				
- Supports federal-state cost-share agreement between DWR, USBR, USFWS, and DFG for fishery restoration activities.	\$1,575	Prop 204	1.0	Y
- Supports studies and grants to address water quality problems causing low dissolved oxygen in the Stockton Deep Water Ship Channel and mercury issues. (These funds are not local assistance.)	\$10,016	Prop 13		
- Supports Fish Passage Improvement Program to do fish passage assessment.	\$1,155	Prop 50	5.6	Y
- Supports Aquatic Restoration Planning and Implementation Program to develop fish passage opportunities in the Yolo Bypass.	\$1,011	Prop 50	3.0	Y
- Supports activities to manage the Four Pumps Agreement to mitigate fish loss at the State Water Project's Delta Pumping Plant.	\$4,385	State Water Project Funds	3.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Environmental Water Account				
- Environmental Water Account asset purchases.	\$17,548	Prop 50	0.0	Approve \$8.8 million
- Environmental Water Account purchases state support.	\$550	Prop 50	5.0	Approve \$225,000
Water Use Efficiency				
- Supports the California Irrigation Management Information System and provides technical assistance and outreach for water conservation activities.	\$1,135	General Fund	6.0	X
- Supports administration of Chapter 7 Water Use Efficiency grant program and Chapter 6 Desalination Grant Program.	\$1,113	Prop 50	5.0	X
- Supports technical assistance and review of agricultural water management plans, urban water management plans, and development of new water conservation technologies.	\$1,792	Energy Resources Program Account	10.0	Y
- Loans for agricultural water conservation and agricultural water use efficiency programs.	\$8,436	Prop 13	0.0	
Water Transfers				
- Supports maintenance of the CALFED Water Transfer Clearinghouse and On Tap water transfer database. Also supports coordination with CALFED EWA, Sacramento Valley Water Management Program, and CALFED ERP.	\$460	General Fund	1.5	
Watershed Management				
- Supports administration of Watershed grant program.	\$254	Prop 50	2.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Drinking Water Quality				
- Supports modeling ways of improving water quality in the Delta.	\$79	General Fund	0.0	X
- Supports data analysis and Delta computer modeling support for the CALFED drinking water quality program. The current focus is on improving water quality modeling of the upper San Joaquin River.	\$164	Prop 50	1.0	X
- Supports contracts with the Contra Costa Water District for the Old River-Byron Tract and Rock Slough-Veale Trace Water Quality improvement project and with USGS for the Low Intensity Chemical Dosing study project.	\$2,022	Prop 13	0.0	
Levees				
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$1,960	Prop 50	13.0	X
- Supports staff to implement the Delta Levees Special Projects Program, Delta Levee Maintenance Subvention Program, Emergency Response, Risk Management, and Subsidence Research.	\$373	State Water Project Funds	2.0	X
- Supports local assistance for the Delta Levee Maintenance Subventions Program.	\$16,817	Prop 50	0.0	X
Storage Program				
- Supports funding for grants for the Local Groundwater Assistance grant program.	\$6,400	Prop 50	0.0	
Water Supply Reliability				
- Supports technical support in regional planning and acts as project managers on 22 MOU partnerships throughout the state.	\$1,868	Prop 50	14.0	Y

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Conveyance Program				
- Supports North Delta Flood Control and Ecosystem Restoration Project.	\$465	General Fund	3.0	Y
- Supports construction of four permanent operable barriers and removal of four temporary rock barriers in the South Delta. Supports evaluation of fish screen intake alternatives, Delta Cross Channel re-operations, and Through-Delta Facility alternatives.	\$14,413	State Water Project Funds	30.0	X
Science Program				
- Supports monitoring and special studies of the water quality and ecology of the San Francisco estuary. Also supports contracts with DFG, USFWS, USGS, and various universities and laboratories.	\$6,201	State Water Project Funds	14.0	X
BUDGET CHANGE PROPOSALS				
Water Use Efficiency Program				
- Funds Chapter 7 water use efficiency grants.	\$30,136	Prop 50	0.0	
- Supports science and monitoring of existing water use efficiency projects to support awarding future grants.	\$1,802	Prop 50	0.0	X
- Supports contracts that would provide technical assistance to local entitites for special water use efficiency projects.	\$2,034	Prop 50	0.0	
- Supports grants for desalination project feasibility studies and construction. (This BCP was not included in the May 9 version, but has been included to be consistent with what CALFED is counting towards its program.)	\$21,290	Prop 50	0.0	Y

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Storage Program				
- Supports evaluation of the feasibility of north of delta storage (Sites reservoir).	3,300	Prop 50	37.0	X
- Supports the federal government's efforts to evaluate the possibility of enlarging Shasta Lake.	100	Prop 50	0.0	
- Supports continued evaluation of the feasibility of in-Delta storage.	2,000	Prop 50	0.0	
- Supports a contract with Contra Costa Water District and state staff to evaluate the feasibility of enlarging Los Vaqueros reservoir.	3,200	Prop 50	0.0	Y, with budget bill language
- Supports evaluation of additional upper San Joaquin River Storage.	1,000	Prop 50	0.0	X
- Supports evaluation of common assumptions to help in the evaluation of each of the storage proposals and to make comparisons among them.	1,000	Prop 50	0.0	X
Water Supply Reliability				
- Supports contracts for projects that increase water supply reliability through the planned, coordinated management and use of groundwater and surface water resources.	7,000	Prop 50	0.0	Y, only for ongoing projects

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Conveyance Program				
- Supports the South Delta Hydrodynamic Investigation to continue the second phase of the investigations and to improve understanding of the hydrodynamics of the central and south Delta regions.	1,000	Prop 13	1.3	X
- Supports the evaluation of fish facility improvement alternatives (fish screens) related to the South Delta Fish Facility Improvements program.	800	Prop 13	4.6	
- Supports fish collection, handling, transportation, and release study as part of the Tracy Fish Test Facility Project.	712	Prop 13	3.7	
- Supports design and construction costs for the South Delta Improvements Program permanent operable barriers.	26,600	Prop 13	0.0	Y, Only for final design work
Watershed Program				
- Supports staff and contracts to provide technical assistance and coordination of the state's Watershed program.	857	Prop 50	5.0	
APRIL FINANCE LETTER				
Conveyance Program				
- Supports the development of the Frank's tract project.	2,700	Prop 50	3.0	
- Supports the development of the Frank's tract project.	309	State Water Project Funds	0.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Watershed Program				
- Reappropriation of \$830,000 in Proposition 50 bond funds that were not expended in the current year due to position vacancies to continue technical assistance related to the Watershed grant program.		Prop 50		X
- Reverts \$3 million Proposition 50 bond funds that have been shifted to the Department of Conservation and were inadvertently left in the Governor's proposed budget.		Prop 50		X
Ecosystem Restoration Program				
- Reappropriation of \$500,000 in Proposition 50 bond funds that were not expended due to position vacancies to continue work on the Calaveras River instream structure and fish passage study.		Prop 50		X
Storage Program				
- Technical correction to eliminate one-time funding (-\$18,996) inadvertently left in the Governor's proposed budget. This error was already reflected in CALFED's numbers so is removed from total for consistency.		Prop 50	0.0	X

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
MAY REVISION				
Science Program				
- Reappropriation of \$2 million to fund science to support conveyance projects.		Prop 13	0.0	Y
Conveyance Program				
- Reappropriation of \$8.8 million to fund technical feasibility studies of the Delta Cross Channel Reoperation, Through Delta Facility, and Franks Tract Projects.		Prop 13	0.0	Y
- Reappropriation of \$1.6 million to continue studies of the Clifton Court Forebay Fish Screen project.		Prop 13	0.0	Y
Ecosystem Restoration Program				
- Reappropriation of \$10 million to fund the low dissolved oxygen problems in the Stockton Deep Water Ship Channel, the abandoned mines project, and to fund grants in the San Joaquin River.		Prop 13	0.0	Y
Environmental Water Account				
- Reappropriation of \$6.3 million to fund the tier 3 portion of the environmental water account.		Prop 13	0.0	Y
Total Governor's Budget	\$206,295		175.7	
Total Senate Budget	\$130,573		157.9	

Staff also recommends that the Subcommittee approve the extension of the liquidation period for the following CALFED Conveyance project that was proposed in the May Revision.

- **Bay-Delta Multipurpose Water Management Subaccount.** The May Revision proposes to extend the liquidation period for \$124,406 in Proposition 13 bond funds from 2002-03 to complete studies on the Delta Cross Channel Re-operation, Through Delta Facility, and Clifton Court Forebay Fish Screen projects for the CALFED Conveyance Program.

Staff recommends that the Subcommittee approve the reversions proposed in the May Revision related to the CALFED program. The administration indicates that these funds were not expended because projects cost less than projected or the funds were determined to no longer be needed for the projects for which they were originally appropriated. The reversion of these funds makes them available for new projects in the future. The reversions proposed for approval include the following:

Program/Account	Amount	Fund Source	Year Appropriated
Bay-Delta Multipurpose Water Management Subaccount	2,775	Prop 13	2001-02
Bay-Delta Multipurpose Water Management Subaccount	11,722	Prop 13	2001-02
Bay-Delta Multipurpose Water Management Subaccount	4,047	Prop 13	2002-03
Total Bay-Delta Multipurpose Water Management	\$18,544		

Program/Account	Amount	Fund Source	Year Appropriated
CALFED Storage Program	12,896	Prop 50	2004-05
Total CALFED Storage Program	\$12,896		

Staff recommends that the Subcommittee re-open the Sacramento Valley Water Management program that was approved at the April 25 meeting of the Subcommittee. Staff recommends that the Subcommittee delete the \$8.5 million in Proposition 204 bond funds proposed for this program, thereby deferring this program while long-term financing of the CALFED program is being evaluated.

3870 California Bay-Delta Authority

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for BDA. Activities recommended for approval by the Subcommittee that are different from actions taken on May 9 are marked with a “Y”. The Governor’s budget numbers have been substantially revised by BDA to reflect actual expenditures proposed in the budget. The figures included for the Governor’s budget on the May 9 agenda were incorrect.

Consistent with the recommendation under the Department of Fish and Game, staff recommends that the Subcommittee adopt trailer bill language that requires BDA to focus the ecosystem restoration program on restoration of native delta fisheries and anadromous fisheries. Specifically, the department should redirect funding from projects that primarily benefit terrestrials to focus more resources on native delta fisheries and anadromous fisheries.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Oversight and Coordination				
- Supports Bay-Delta Advisory Committee, environmental justice, tribal relations, public outreach, delta improvements package, regional coordination, performance measure development, long-term finance plan development, and other administrative functions. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$6,880	General Fund	43.0	X
Ecosystem Restoration Program				
- Supports monitoring of ecosystem restoration projects. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$246	General Fund	2.0	Y
- Supports contracts for work on various 415 ecosystem restoration projects. (Amount has been adjusted to reflect actual budgeted amounts per BDA.)	\$1,521	Prop 50	0.0	Y
- Supports staff to monitor and manage the work being done on the ecosystem restoration program contracts.	\$523	Prop 50	5.0	X
Conveyance Program				
Drinking Water Quality Program				
Environmental Water Account				
Levee Program				
Storage Program				
Watershed Program				
Water Use Efficiency Program				
- Supports staff and contracts to monitor projects in all of the programs listed above. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$1,393	General Fund	6.0	X
- Supports recipient agreements to implement and monitor the Proposal and Solicitation Process for various projects in the programs listed above. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$838	Prop 50	1.0	Y

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
Science Program				
- Supports contracts and positions to support the independent science board and technical panels. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$2,945	Prop 50	3.0	Y
- Supports contracts to support the independent science board and technical panels. (Amounts have been adjusted to reflect actual budgeted amounts per BDA.)	\$3	General Fund	0.0	Y
BUDGET CHANGE PROPOSALS				
Ecosystem Restoration Program				
- Supports various ecosystem restoration projects. These funds were appropriated in 2002-03, but because of delays and cancellations these funds were not expended.	\$5,074	Prop 204	0.0	Y
Conveyance Program				
- Supports scientific monitoring of the Delta Cross Channel, Through-Delta Facility, Frank's Tract, South Delta Hydrodynamic and Tracy Test Facility investigations.	250	Prop 50	0.0	X
APRIL FINANCE LETTER				
Ecosystem Restoration Program				
- Reappropriation of \$54.7 million in Proposition 50 bond funds to support contracts and grants for ecosystem restoration projects, including the Battlecreek Watershed.				X
MAY REVISION				
Science Program				
- Establish 7 limited-term positions to be funded with existing appropriation authority. These positions would replace the use of contractors.			7.0	
Total Governor's Budget	\$19,673		67.0	
Total Senate Budget	\$19,673		67.0	

3940 State Water Resources Control Board

Staff Recommendation. Staff recommends that the Subcommittee approve the following revised CALFED budget for SWRCB.

Staff recommends that the Subcommittee redirect the 1.5 positions and \$144,000 from the water rights fund proposed for elimination to other water rights activities at the board.

Activity (\$ in thousands)	Amount	Fund Source	Positions	Approve
BASE BUDGET				
Watershed Program				
- Supports management of grants awarded by the board in past grant cycles.	\$299	Prop 50	3.0	X
- Supports monitoring of project progress on grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
Water Use Efficiency Program				
- Supports management of water recycling grants awarded by the board in past grant cycles.	\$888	Prop 50	9.1	X
- Supports management of water recycling grants awarded by the board in past grant cycles and the review and awarding of new grants. Also includes technical outreach and assistance to disadvantaged communities.	\$421	Prop 13	4.2	X
- Funds for water recycling grants.	\$6,413	Prop 13	0.0	
Drinking Water Quality Program				
- Supports management of grants awarded by the board in past grant cycles.	\$130	Prop 50	1.3	X
- Supports management of grants awarded by the board in past grant cycles.	\$82	Prop 13	0.8	X
Water Transfers				
- Supports water transfer activities. (This item was inadvertently excluded from the May 9 agenda.)	\$144	Water Rights Fund	1.5	
Total Governor's Budget	\$8,459		20.7	
Total Senate Budget	\$1,902		19.2	